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Report Highlights: Lower Beef Production in 2003; Reduced Rate of Hog Expansion * Federal-Provincial Ag Ministers Meet on Ag Policy Framework * New Measures to Protect Wild Salmon * Value of 2002 Building Permits Breaks Record * Trade Minister Insists on Softwood Lumber Duty Repayment * Agricore United Appoints Neil Silver as Interim President * Agricore United Sees Little Chance of More Drought * CWB Changes Farmers' Payment Options * Foodservice Employment Exceeds One Million * Food Brands Among Most Trusted by Canadians...And More!

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

LOWER BEEF PRODUCTION IN 2003; REDUCED RATE OF HOG EXPANSION: Current prospects in Canada's livestock industry for 2003 point to a decline in beef production and a modest increase in pork output are

forecast. The anticipation of a cattle herd buildup last year was cut short by severe drought in the West which led to tight feed grain supplies, higher feed grain prices, declining feedlot placements, and record feeder cattle exports. Higher Canadian pork output in 2003 is expected to reflect rising slaughter capacity and increased efficiencies from large scale hog production units. Canadian exports of live hogs to the United States are forecast to be close to the 6.0 million head level. For more information, see the Semi-Annual Livestock Report, CA3009.

FEDERAL-PROVINCIAL AG MINISTERS MEET ON AG POLICY FRAMEWORK: In a joint communiqué, Federal-Provincial-Territorial Agriculture Ministers announced they have achieved consensus on many of the elements of new business risk management programming under the Agricultural Policy Framework (APF), and agreed to continue advancing the design through further discussions and consultations with industry, with a view to finalizing details over the next month. The design consists of an expanded NISA program which offers farmers protection against both smaller losses and income disasters, with governments covering a larger portion if situations worsen. Ministers are aiming to design a program that is simpler and affordable for producers, and more effective in stabilizing farmers' margins. With respect to production insurance, Ministers agreed that the emphasis will be to provide more insurance products for more commodities. To ensure producers make the best use of all available risk management tools, Ministers committed that there will be a strong linkage between production insurance and the new NISA. Ministers agreed the new programs must meet trade obligations. Governments confirmed their intention to finalize the details of transition to new risk management programming for 2003, so as to have federal-provincial implementation agreements which, when signed, will take effect April 1, 2003, and will cover all five elements of the Agricultural Policy Framework. The province of Quebec indicated that it would not endorse the communiqué. To see the full communiqué, visit: <http://www.agr.gc.ca/cb/news/2003/n30131ae.html>

B.C. GOVERNMENT ANNOUNCES NEW MEASURES TO PROTECT WILD SALMON:

British Columbia's Fisheries Minister has ordered 11 fish farms, which have been blamed for contributing to an outbreak of sea lice, to shut down their pens during the spring run of wild salmon. Referred to as the Broughton Archipelago action plan, a total of 11 of the 27 fish farms in the Broughton region will be fallowed during the pink salmon migration beginning about the end of the February. More than 60 aquaculture operations on other parts of the West Coast will not suspend normal operations. The B.C. government is funding a workshop on sea lice in Vancouver, February 22-24, organized by the University of British Columbia. British Columbia is working collaboratively with the federal Department of Fisheries and Oceans which has its own *Action Plan* to address potential risks to wild pink salmon stocks.

VALUE OF 2002 BUILDING PERMITS BREAKS RECORD: According to Statistics Canada, Canadian municipalities issued C\$45.9 billion in building permits in 2002, breaking the previous annual record of C\$40.0 billion set in 1989. The feverish demand right across the country for new housing was the cornerstone of this exceptional year. Non-residential construction intentions, as a result of their sluggishness at the beginning of the year, were below their 2001 level. 2002's C\$45.9 billion annual (preliminary) total was a 16.0% increase from 2001 and a seventh straight annual increase in overall construction intentions. The value of residential permits totaled C\$29.0 billion in 2002, up 32.1% from 2001, fueled by strong increases for both single- and multi-family dwellings. For the first time since 1989, the 200,000 unit mark was surpassed for a single year, as municipalities authorized the construction of 212,400 new dwelling units in 2002. The value of non-residential permits retreated to C\$16.8 billion in 2002, down 4.1% from 2001, as record intentions for institutional construction partly offset significant declines in the industrial and commercial components. For more detailed information, visit: <http://www.statcan.ca/Daily/English/030206/d030206a.htm>

U.S. AND CANADA ON 'GLIDE PATH' TO SOFTWOOD PACT: According to the February 7 *Globe and Mail*, Canada and the United States are on a "glide path" toward a softwood lumber deal that would see Ottawa impose a temporary export tax while the provinces overhaul the way they sell timber, says top U.S. lumber negotiator, U.S. Commerce undersecretary Grant Aldonas. Mr. Aldonas acknowledged that the two sides must still hammer out crucial details in the coming weeks. In Ottawa, Trade Minister Pierre Pettigrew characterized the U.S. proposal as "workable, if there is good faith on both sides." Mr. Aldonas added that the most contentious issue is the fate of roughly \$1-billion in duties collected since last year by the United States. Canadian lumber producers have insisted the duties should be returned, as they were after previous lumber disputes. The B.C. Lumber Trade Council that represents producers in B.C. hailed the "tremendous amount of progress" toward a deal during the past week's intensive negotiations in Washington. "We believe there is a willingness to achieve a resolution that we have not seen before," said John Allan, the council's president. He called the U.S. proposal "a strong step forward." For example, there is no agreement yet on when or if Canada would drop its legal challenges, now before the World Trade Organization and a North American Free Trade Agreement panel.

TRADE MINISTER INSISTS ON SOFTWOOD LUMBER DUTY REPAYMENT: The February 8 *Globe and Mail* reported that Trade Minister Pierre Pettigrew said any softwood lumber deal with the United States must include repayment of the \$1-billion in duties collected by the U.S. since last year. "The \$1-billion [paid] to the U.S. will be part of the negotiations, clearly," Mr. Pettigrew said at a news conference. "This is money that was not collected correctly. It should come back to the Canadian companies," he said after meeting with his provincial counterparts to review trade issues. Canadian producers insist the duties must be returned, as they were after previous lumber disputes. Pettigrew said Canada is willing to entertain the idea of a temporary export tax on Canadian softwood lumber that would be phased out as the provinces move to better align their stumpage practices with market forces.

TED ALLEN STEPS DOWN AS PRESIDENT OF AGRICORE UNITED: According to the February 7 edition of *oatgrower.com*, Ted Allen, President and Chairman of Agricore United announced his decision to step down from the position, after a long career in the grain industry.

Allen made the announcement to farmer delegates attending the Annual Members' Meeting of Agricore United in Winnipeg. Allen remains as a member of the Board of Directors. Allen was elected to the board of Directors of United Grain Growers (UGG) in 1973 and elected President and Chairman of UGG in 1990. He was elected President and Chairman of Agricore United upon the merger of UGG and Agricore on November 1, 2001. Allen said he feels extremely positive about the future of Agricore United following the successful merger.

AGRICORE UNITED APPOINTS NEIL SILVER AS INTERIM PRESIDENT: The February 10 edition of the *Winnipeg Free Press* reported that Alberta grain farmer Neil Silver has been appointed interim president and chairman of Winnipeg-based Agricore United. Silver replaces Ted Allen, who stepped down from the two posts on the final day of Agricore United's two-day annual meeting in Winnipeg. Silver had been president of Agricore Co-operative Ltd. prior to its merger with United Grain Growers to create Agricore United in November 2001. Since then he has served as an elected member of Agricore United's board of directors. The company said Silver has already indicated he won't seek the president and chairman's titles on a permanent basis. However, he is willing to fill in temporarily until the board chooses a permanent replacement for Allen, it added. Allen relinquishes the posts after a career that included an 11-year stint (from 1990 to November 2001) as president and chairman of UGG. While no longer president and chairman of Agricore United, Allen will stay on as an elected member of the board of directors. Blair Rutter, manager of policy development for Agricore United, said in an interview yesterday the 15-member board hopes to choose a permanent replacement for Allen at its next meeting in mid-March. The replacement will come from within the ranks of the existing 12 farmer-directors on the board.

AGRICORE UNITED SEES LITTLE CHANCE OF MORE DROUGHT: A February 5 *Reuters* article reported that after back-to-back years of bone-dry soil and wilted crops, the odds are good the Canadian Prairies will escape a third consecutive year of drought, citing Agricore United CEO Brian Hayward. Hayward told the company's annual meeting that weather analysts at the firm's insurer, Swiss Re, have said their statistics show only a 10% probability of a third year of parched fields. "The picture is certainly much brighter than it was a year ago," he said, adding that Canadian forecasters also believe the El Nino weather pattern in the Pacific Ocean will bring a warmer and wetter spring for Prairie farmers. Back-to-back droughts dried up crops across much of Canada's prime western farming country, slashing Agricore's earnings from grain handling and crop supply sales. The drought was so bad that the company was using three large high-throughput elevators for receiving and unloading U.S. corn, to sell to livestock feeders, instead of taking in Canadian barley and export grains, Hayward said. Agricore United has cut 17% of its staff and closed 42% of its country elevators since the November 1, 2001 merger of United Grain Growers and farmer-owned co-operative Agricore.

CWB CHANGES FARMERS' PAYMENT OPTIONS: The Canadian Wheat Board has approved a series of enhancements to the Producer Payment Options (PPO). These changes are aimed to provide farmers with more flexibility and pricing opportunities since PPOs were introduced three years ago. PPOs offer farmers a choice between the traditional pooling system and open market tools. The Fixed Price Contract (FPC) for wheat and feed barley and the Basis Payment Contract (BPC) for wheat will be launched one month earlier than in the past. The launch date is Monday, February 24. The FPC for durum will also be launched one month earlier, on April 24. Other changes include: (1) Enabling farmers to exchange futures on BPCs. This will let them price the futures component of their basis contract throughout the day and prior to the official start date of the program, (2) Changing the method for calculating the basis. The basis will be the Pool Return Outlook minus forecasted futures less a discount for risk, time value of money and administration. This will make the basis more stable. The FPC lets farmers lock in a price for their wheat and feed barley in advance of the crop year. The FPC is comprised of the basis plus the relevant

December future prices. Basis contracts enable farmers to lock in a basis or difference between the fixed price and the corresponding futures contract.

TRADE MISSION TO EUROPE: Prime Minister Jean Chrétien will lead a Team Canada trade mission to the Netherlands, the United Kingdom and Italy from March 25 to April 4, 2003. The Prime Minister will be joined by provincial premiers, territorial leaders and Canadian business executives. The mission will focus on promoting investment, trade and science and technology development in a number of areas, including aerospace, agri-food, construction and building products, communications technology, life sciences and sustainable energy. Two-way merchandise trade between Canada and these countries reached C\$25.2 billion in 2001. According to the Canadian government, the countries are the source of close to C\$38 billion in direct investment in Canada.

FOODSERVICE EMPLOYMENT EXCEEDS ONE MILLION FOR THE FIRST TIME: According to a new report by the Canadian Restaurant and Foodservices Association (CRFA) entitled *Canada's Foodservice Industry and its One Million Employees*, Canada's restaurants, bars, cafeterias and caterers added 42,000 people to their payrolls in 2002, pushing total foodservice industry employment over the one million mark for the first time. Figures released by Statistics Canada show that 1,020,700 people are directly employed by the foodservice industry, in positions ranging from servers and chefs to product developers and entrepreneurs. With over C\$42 billion in annual sales, the foodservice industry represents 4.2% of Canada's gross domestic product and 6.6% of employment, making it one of Canada's biggest employers.

FOOD BRANDS AMONG MOST TRUSTED BY CANADIANS: According to an article in the *Globe and Mail*, a study commissioned by Reader's Digest Canada and polled by Ipsos Reid, found that almost one-third of Canadians surveyed "strongly" believed it is more difficult to trust products and brands today than it was 20 years ago. However, the survey also found that Canadians still have some trusted brands in various categories of products, and the top brands were Robin Hood flour, Campbell's soup, Becel margarine, Kellogg's cereal, General Motors cars and Ford pick-up trucks. Other brands that fared well included Black & Decker small kitchen appliances, Home Depot do-it-yourself stores, Benjamin Moore paint, Visa credit cards, Kraft foods, Crest toothpaste, Tylenol pain relievers and Pampers diapers. Sears and Wal-Mart tied as most trusted retailers.

Did You Know ...that more Canadians work in the foodservice industry than in agriculture; forestry, pulp and paper; banking; and motor parts and vehicle manufacturing combined! (Source: Canadian Restaurant and Foodservices Association)

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA3009	Semi-Annual Livestock Report	2/10/2003
CA3008	This Week in Canadian Agriculture, Issue 5	2/7/2003

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